

Brookfield: Coal and ESG mix like oil and water

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We opine that the announcement of a Brookfield (BAM/A CN) USD7.5bn Global Transition Fund (“net-zero”) fund launch¹ is particularly ill-timed given filings that Brookfield-owned Dalrymple Bay (DBI AU) is set to expand its coal operations by 15Mtpa to become the world largest export terminal, in a project called 8x.^{2, 3}

To be clear, 8x is an enabler of further coal mine expansions in Queensland, which already is the top provincial coal exporter of the world. Coincidentally, the government of Queensland is the other major institutional owner of DBI and is actively seeking to expand coal mining output of the state.⁴

We believe there are three potential outcomes to this:

- i. Brookfield uses Global Transition Fund money to pay Brookfield Infrastructure investors to move to cancel the 8x expansion and shut the thermal coal capacity (~20%) at DBI.
- ii. Brookfield unconditionally applies its communicated climate policy in a full balance sheet approach and moves to cancel the 8x expansion and thermal coal capacity at DBI.
- iii. Brookfield continues to work for the 8x expansion and thermal coal business to continue at DBI and thus get in competition for “Most Egregious Greenwash” award of the decade.

Back-of-the-envelope carbon footprint of the 8x expansion value chain is 50Mtpa and 0.5GT over a 10yr running period. For all of DBI, the numbers will be 300Mtpa and 3GT. Remaining carbon budget to have a reasonable chance to reach the 1.5C target is around 300GT. **Proceeding with 8x and running these things for a decade shaves off 1% of the remaining global carbon budget. Imagine being a person so powerful that one could affect that.**

Figure 1. Dalrymple Bay will become the biggest coal export terminal in the world, if the 8x plans are effectuated. Source: Global Energy Observatory (2018).

Terminal	Mtpa capacity	Country
Dalrymple Bay Feb 2021 8x expansion	100	Australia
Waratah Kooragang Coal Terminal (*)	77	Australia
Richards Bay Coal Port	72	South Africa
Dalrymple Bay Coal Terminal	68	Australia
Mundra Coal Port	60	India
Lamberts Point Coal Terminal	48	US
Hay Point Coal Terminal	44	Australia
RG Tanna Coal Terminal, Gladstone	40	Australia
Carrington Coal Terminal	25	Australia
Port Kembla Coal Terminal	22.5	Australia
Abbot Point Coal Terminal	21	Australia

¹ “[Brookfield Pursues \\$7.5 Billion Fund Devoted to ‘Net-Zero’ Shift](#)”, Bloomberg, 10 Feb 2021.

² After the ill-fated IPO last year, Brookfield still holds a 49% stake of DBI, see “[Final port of coal? The Brookfield Dalrymple IPO](#)”, AFII, 16 Nov 2020. With QTC at 10% and otherwise retail money, 49% is a controlling stake.

³ “[CQ coal terminal rolls out expansion proposal](#)”, Industry Queensland, 12 Jan 2021. Government filings from 18 Dec 2020 available [here](#). Also see “[Dalrymple, Queensland and the Mighty Greenwash](#)”, AFII, 29 Sep 2020.

⁴ “[High Court orders fresh hearings into approvals for New Acland coal mine expansion](#)”, ABC News, 3 Feb 2021.

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